

CITY OF KALONA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

CITY OF KALONA, IOWA
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CITY OF KALONA, IOWA
OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Ken Herington	Mayor	January, 2020
Jenelle Bender	Mayor Pro-Tem	January, 2020
Greg Schmidt	Council Member	January, 2020
Mark Robe (Resigned January, 2020)	Council Member	January, 2022
Craig Spitzer	Council Member	January, 2022
Joe Schmidt	Council Member	January, 2022
Ryan Schlabaugh	City Administrator	Indefinite
Sarah Chmelar	City Clerk	Indefinite
(After January, 2020)		
Mark Robe	Mayor	January, 2024
Jenelle Bender	Mayor Pro-Tem	January, 2024
Greg Schmidt	Council Member	January, 2024
Craig Spitzer	Council Member	January, 2022
Joe Schmidt	Council Member	January, 2022
Hank Beisheim (Appointed January, 2020)	Council Member	January, 2022
Ryan Schlabaugh	City Administrator	Indefinite
Sarah Chmelar	City Clerk	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Kalona, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

The financial statements do not include financial data for the City's legally separate component units, Kalona Library Foundation and Friends of the Kalona Library. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the cash basis net position, receipts and disbursements of the aggregate remaining fund information would have increased as summarized in Note 1.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the aggregate remaining fund information of the City of Kalona, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities and each major fund of the City of Kalona, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Kalona's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed qualified and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Honorable Mayor and
Members of the City Council

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions, on pages 23 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2020 on our consideration of the City of Kalona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Kalona's internal control over financial reporting and compliance.

Amesbury, Bell, Kynan & Co. P.C.

Atlantic, Iowa
December 9, 2020

CITY OF KALONA, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 195,672	\$ 13,291	\$ --
Public works	422,890	150	320,275
Culture and recreation	515,821	58,119	54,001
Community and economic development	318,598	--	--
General government	326,984	14,879	--
Debt service	703,428	--	303
Capital projects	<u>10,834</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>2,494,227</u>	<u>86,439</u>	<u>374,579</u>
Business type activities:			
Water	588,983	344,007	--
Sewer	466,681	353,602	--
Storm sewer	7,291	41,969	--
Nonmajor	<u>175,642</u>	<u>174,266</u>	<u>--</u>
Total business type activities	<u>1,238,597</u>	<u>913,844</u>	<u>--</u>
Total	<u>\$ 3,732,824</u>	<u>\$ 1,000,283</u>	<u>\$ 374,579</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to a specific purpose			
Unrestricted interest on investments			
Bonds issued for refunding debt			
Premium on bonds			
Payment for refunding debt			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(182,381)	\$ --	\$(182,381)
--	(102,465)	--	(102,465)
--	(403,701)	--	(403,701)
--	(318,598)	--	(318,598)
--	(312,105)	--	(312,105)
--	(703,125)	--	(703,125)
--	(10,834)	--	(10,834)
--	(2,033,209)	--	(2,033,209)
--	--	(244,976)	(244,976)
--	--	(113,079)	(113,079)
--	--	34,678	34,678
--	--	(1,376)	(1,376)
--	--	(324,753)	(324,753)
<u>\$ --</u>	<u>(2,033,209)</u>	<u>(324,753)</u>	<u>(2,357,962)</u>
	944,920	--	944,920
	227,087	--	227,087
	242,694	--	242,694
	309,072	--	309,072
	155,972	--	155,972
	29,743	4,527	34,270
	3,605,000	--	3,605,000
	63,904	--	63,904
	(3,545,000)	--	(3,545,000)
	252,259	9,952	262,211
	23,505	(23,505)	--
	<u>2,309,156</u>	<u>(9,026)</u>	<u>2,300,130</u>
	275,947	(333,779)	(57,832)
	<u>2,430,725</u>	<u>1,095,655</u>	<u>3,526,380</u>
<u>\$ 2,706,672</u>	<u>\$ 761,876</u>	<u>\$ 3,468,548</u>	

CITY OF KALONA, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Streets		
Urban renewal projects		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 120,318	\$ --	\$ 120,318
	487,239	--	487,239
	308,677	--	308,677
	131,949	17,920	149,869
	584,282	--	584,282
	<u>1,074,207</u>	<u>743,956</u>	<u>1,818,163</u>
	<u>\$ 2,706,672</u>	<u>\$ 761,876</u>	<u>\$ 3,468,548</u>

CITY OF KALONA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment</u>
Receipts:		
Property tax	\$ 889,659	\$ --
Tax increment financing	--	242,694
Other city tax	11,997	--
Licenses and permits	16,411	--
Use of money and property	250,319	--
Intergovernmental	70,539	--
Charges for service	41,691	--
Miscellaneous	215,993	--
Total receipts	<u>1,496,609</u>	<u>242,694</u>
Disbursements:		
Operating:		
Public safety	195,672	--
Public works	146,652	--
Culture and recreation	474,963	--
Community and economic development	114,774	78,063
General government	305,157	--
Debt service	--	--
Capital projects	--	--
Total disbursements	<u>1,237,218</u>	<u>78,063</u>
Excess (deficiency) of receipts over (under) disbursements	259,391	164,631
Other financing sources (uses):		
Bonds issued for refunding debt	--	--
Premium on bonds	--	--
Payment for refunding debt	--	--
Operating transfers in	--	--
Operating transfers out	(139,207)	(187,660)
Total other financing sources (uses)	<u>(139,207)</u>	<u>(187,660)</u>
Change in cash balances	120,184	(23,029)
Cash balances beginning of year	<u>1,074,341</u>	<u>331,706</u>
Cash balances end of year	<u>\$ 1,194,525</u>	<u>\$ 308,677</u>

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Special Revenue				
Local Option Sales Tax	Road Use Tax	Debt Service	Nonmajor	Total
\$ --	\$ --	\$ 224,287	\$ 42,690	\$ 1,156,636
--	--	--	--	242,694
309,072	--	2,800	574	324,443
--	--	--	--	16,411
--	--	303	--	250,622
--	303,736	--	--	374,275
--	--	--	--	41,691
--	--	--	--	215,993
<u>309,072</u>	<u>303,736</u>	<u>227,390</u>	<u>43,264</u>	<u>2,622,765</u>
--	--	--	--	195,672
--	262,125	--	14,113	422,890
--	--	--	40,858	515,821
125,761	--	--	--	318,598
--	--	--	21,827	326,984
--	--	703,428	--	703,428
--	--	--	10,834	10,834
<u>125,761</u>	<u>262,125</u>	<u>703,428</u>	<u>87,632</u>	<u>2,494,227</u>
183,311	41,611	(476,038)	(44,368)	128,538
--	--	3,605,000	--	3,605,000
--	--	63,904	--	63,904
--	--	(3,545,000)	--	(3,545,000)
--	--	361,024	114,348	475,372
(125,000)	--	--	--	(451,867)
<u>(125,000)</u>	<u>--</u>	<u>484,928</u>	<u>114,348</u>	<u>147,409</u>
58,311	41,611	8,890	69,980	275,947
<u>311,194</u>	<u>445,628</u>	<u>123,059</u>	<u>144,797</u>	<u>2,430,725</u>
<u>\$ 369,505</u>	<u>\$ 487,239</u>	<u>\$ 131,949</u>	<u>\$ 214,777</u>	<u>\$ 2,706,672</u>

CITY OF KALONA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ 120,318	\$ --
Restricted:		
Streets	--	--
Urban renewal purposes	--	308,677
Debt service	--	--
Other purposes	--	--
Unassigned	<u>1,074,207</u>	<u>--</u>
Total cash basis net assets	<u>\$ 1,194,525</u>	<u>\$ 308,677</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>				
<u>Local Option Sales Tax</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 120,318
--	487,239	--	--	487,239
--	--	--	--	308,677
--	--	131,949	--	131,949
369,505	--	--	214,777	584,282
--	--	--	--	1,074,207
<u>\$ 369,505</u>	<u>\$ 487,239</u>	<u>\$ 131,949</u>	<u>\$ 214,777</u>	<u>\$ 2,706,672</u>

CITY OF KALONA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

	Enterprise Funds				
	Water	Sewer	Storm Sewer	Nonmajor Garbage	Total
Operating receipts:					
License and permits	\$ 1,225	\$ 750	\$ --	\$ --	\$ 1,975
Charges for services	<u>342,782</u>	<u>352,852</u>	<u>41,969</u>	<u>174,266</u>	<u>911,869</u>
Total operating receipts	<u>344,007</u>	<u>353,602</u>	<u>41,969</u>	<u>174,266</u>	<u>913,844</u>
Operating disbursements:					
Business type activities	<u>306,987</u>	<u>222,832</u>	<u>7,291</u>	<u>175,642</u>	<u>712,752</u>
Total operating disbursements	<u>306,987</u>	<u>222,832</u>	<u>7,291</u>	<u>175,642</u>	<u>712,752</u>
Excess of operating receipts over operating disbursements	37,020	130,770	34,678	(1,376)	201,092
Non-operating receipts (disbursements):					
Interest on investments	2,887	1,640	--	--	4,527
Miscellaneous	9,132	820	--	--	9,952
Debt service	(68,580)	(152,180)	--	--	(220,760)
Capital projects	<u>(213,416)</u>	<u>(91,669)</u>	<u>--</u>	<u>--</u>	<u>(305,085)</u>
Net non-operating receipts (disbursements)	<u>(269,977)</u>	<u>(241,389)</u>	<u>--</u>	<u>--</u>	<u>(511,366)</u>
Excess (deficiency) of receipts over (under) disbursements	(232,957)	(110,619)	34,678	(1,376)	(310,274)
Other financing sources (uses):					
Transfers out	<u>--</u>	<u>--</u>	<u>(23,505)</u>	<u>--</u>	<u>(23,505)</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(23,505)</u>	<u>--</u>	<u>(23,505)</u>
Change in cash balances	(232,957)	(110,619)	11,173	(1,376)	(333,779)
Cash balances beginning of year	<u>679,357</u>	<u>331,022</u>	<u>33,079</u>	<u>52,197</u>	<u>1,095,655</u>
Cash balances end of year	<u>\$ 446,400</u>	<u>\$ 220,403</u>	<u>\$ 44,252</u>	<u>\$ 50,821</u>	<u>\$ 761,876</u>
Cash Basis Fund Balances					
Restricted:					
Debt service	\$ 5,646	\$ 12,274	\$ --	\$ --	\$ 17,920
Unrestricted	<u>440,754</u>	<u>208,129</u>	<u>44,252</u>	<u>50,821</u>	<u>743,956</u>
Total cash basis fund balances	<u>\$ 446,400</u>	<u>\$ 220,403</u>	<u>\$ 44,252</u>	<u>\$ 50,821</u>	<u>\$ 761,876</u>

The accompanying notes are an integral part of these statements.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalona, Iowa is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and storm sewer utilities and garbage services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Kalona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Excluded Component Units

The City has two component units. The Kalona Library Foundation, which is a non-profit corporation that is legally separate, is a component unit because it has the potential to provide benefits to the City of Kalona Library. The Friends of the Kalona Library is a separate non-profit organization created for the sole purpose of raising funds to support the Kalona Library. The City has elected to exclude the financial information of its component units from these financial statements. Both component units should be blended into the Special Revenue Funds of the City of Kalona.

Following is a summary of the approximate cash basis fund balances, receipts and disbursements of the aggregate component units as of and for the year ended June 30, 2020:

Fund Balance	\$ <u>76,722</u>
Receipts	\$ <u>13,259</u>
Disbursements	\$ <u>1,606</u>

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Washington County Joint E911 Service Board and Washington County Assessor's Conference Board.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statement

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary fund are aggregated and reported as either nonmajor governmental funds or nonmajor enterprise fund.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is utilized to account for the collection and use of local option sales tax.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operations and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March, 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds and Notes	\$4,654,794	\$3,605,000	\$4,013,995	\$4,245,799	\$ 400,000
Government activities total	<u>\$4,654,794</u>	<u>\$3,605,000</u>	<u>\$4,013,995</u>	<u>\$4,245,799</u>	<u>\$ 400,000</u>
Business type activities:					
Water Revenue Notes	\$ 329,000	\$ --	\$ 62,000	\$ 267,000	\$ 64,000
Sewer Revenue Notes	1,959,000	--	113,000	1,846,000	116,000
Storm Water Revenue Note	<u>210,000</u>	<u>--</u>	<u>15,000</u>	<u>195,000</u>	<u>15,000</u>
Business type activities total	<u>\$2,498,000</u>	<u>\$ --</u>	<u>\$ 190,000</u>	<u>\$2,308,000</u>	<u>\$ 195,000</u>

Annual debt service requirements to maturity for general obligation capital loan notes, and revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Capital Loan Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 400,000	\$ 115,419	\$ 195,000	\$ 44,876	\$ 595,000	\$ 160,295
2022	410,000	102,412	201,000	41,117	611,000	143,529
2023	371,005	88,980	205,000	37,256	576,005	126,236
2024	430,000	77,226	211,000	33,322	641,000	110,548
2025	244,794	62,595	110,000	29,286	354,794	91,881
2026-2030	1,060,000	232,760	591,000	111,378	1,651,000	344,138
2031-2035	1,100,000	104,970	561,000	49,319	1,661,000	154,289
2036-2039	<u>230,000</u>	<u>5,635</u>	<u>234,000</u>	<u>10,376</u>	<u>464,000</u>	<u>16,011</u>
	<u>\$ 4,245,799</u>	<u>\$ 789,997</u>	<u>\$ 2,308,000</u>	<u>\$ 356,930</u>	<u>\$ 6,553,799</u>	<u>\$1,146,927</u>

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Government Accounting Standards require principal and interest on general obligation debt be paid from the Debt Service Fund and principal and interest on revenue notes be paid from an Enterprise Fund. During the year \$23,505 of revenue note principal and interest was paid from the Debt Service Fund rather than the Enterprise Fund.

Capital Loan Notes

On June 1, 2004, the City issued \$1,400,000 of capital loan notes with interest ranging from 1.30% to 2.65% per annum. The notes were issued for the construction, equipping, and furnishing a new Kalona Public Library facility. During the year ended June 30, 2020 the City paid \$85,000 of principal and \$11,187 of interest on the notes. The notes mature in fiscal year 2024.

On April 18, 2018, the City issued \$850,000 of capital loan notes with interest ranging from 4.30% to 4.60% per annum. The notes were issued for the acquisition, construction, reconstruction, and improvement of real property. During the year ended June 30, 2020, the City paid \$158,995 of principal and \$28,666 of interest on the notes. The notes mature in fiscal year 2025.

General Obligation Refunding Capital Loan Notes

On November 12, 2019, the City issued \$3,605,000 of general obligation refunding capital loan notes with interest rates ranging from 2.0% to 3.0% per annum. The notes were issued for refunding prior general obligation bonds for demolition of an old gymnasium and construction of a new community center. During the year ended June 30, 2020, the City paid \$225,000 of principal and \$50,339 of interest. The notes mature in fiscal year 2036.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,067,000 in water revenue notes issued in August, 2003. Proceeds from the notes provided financing for the repair and improvement of the water system. The notes carry an interest rate of 1.75% and are payable solely from water customer net receipts maturing in fiscal year 2024. Annual principal and interest payments on the notes are expected to require more than 100 percent of the net receipts. Existing net position is used to meet debt service payments in years when net receipts are not sufficient. The total principal and interest remaining to be paid on the notes is \$278,848. For the current year, principal and interest paid and total customer net receipts were \$67,758 and \$37,020, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,827,000 in sewer revenue notes issued in December, 2003, November, 2008 and October, 2014. Proceeds from the notes provided financing for the repair and improvement of the sewer system. The notes carry an interest rate of 1.75% and are payable solely from sewer customer net receipts maturing in fiscal year 2039. Annual principal and interest payments on the notes are expected to require more than 100 percent of the net receipts. Existing net position is used to meet debt service payments in years when net receipts are not sufficient. The total principal and interest remaining to be paid on the notes is \$2,135,800. For the current year, principal and interest paid and total customer net receipts were \$147,282 and \$130,770, respectively.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - NOTES PAYABLE - Continued

The City has pledged future storm sewer receipts, net of specified operating disbursements, to repay \$225,000 in storm sewer revenue notes issued in April, 2018. Proceeds from the notes provided financing for the repair and improvement of the storm sewer system. The notes carry an interest rate of 4.05% and are payable solely from storm sewer customer net receipts maturing in fiscal year 2033. Annual principal and interest payments on the notes are expected to require less than 68 percent of the net receipts. The total principal and interest remaining to be paid on the notes is \$250,282. For the current year, principal and interest paid and total customer net receipts were \$23,505 and \$34,678, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient transfers shall be made into a separate and special fund to pay current expenses. The fund shall be known as the Sewer/Water Utility Operation and Maintenance Fund. There shall be deposited in the fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12 of expenses payable on an annual basis such as insurance.
- c. Moneys shall next be disbursed to a separate and special fund to pay principal of and interest on the Notes and Parity Obligations known as the Sewer/Water Revenue Note Principal and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6 of the installment of interest coming due on the next payment and 1/12 of the installment of principal coming due on the next payment date.

NOTE 4 - DEFEASANCE OF DEBT

On November 12, 2019, the City issued \$3,605,000 of general obligation refunding capital loan notes with an average interest rate of 2.59% to current refund \$3,545,000 of general obligation bonds dated November 22, 2016 with an average interest rate of 3.71%. The net proceeds of \$3,625,644 (after payment of \$43,260 in underwriting fees, premium of \$63,904, and other issuance costs) were used to refund the debt. The refunding was undertaken to reduce total debt service payments over the next 16 years by \$387,549 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$315,147.

NOTE 5 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$43,454.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$347,599 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.006003%, which was an increase of 0.000579% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$63,941, \$54,629 and \$68,100 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 617,224	\$ 347,599	\$ 121,441

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2020 is \$12,700 for vacation and \$5,700 for comp time, for a total liability of \$18,400. This liability has been computed based on rates of pay in effect at June 30, 2020.

NOTE 7 - RISK MANAGEMENT

The City of Kalona is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 24,859
	Special Revenue	
	Urban Renewal Tax	
	Increment	187,660
	Special Revenue	
	Local Option Sales Tax	125,000
	Enterprise	
	Storm Sewer	23,505
		<u>361,024</u>
Capital Project	General	<u>114,348</u>
		<u>\$ 475,372</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 9 - SERVICE AGREEMENTS

The City has an agreement with Washington County to obtain police protection for its citizens. The City paid \$134,321 for services during the year ended June 30, 2020, and approved an agreement in the amount of \$139,426 for the year ending June 30, 2021.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$69,221 and plan members eligible for benefits contributed \$12,266 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>7</u>
Total	<u><u>9</u></u>

NOTE 11 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$11,492 of property tax under the urban renewal and economic development projects.

CITY OF KALONA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - CAPITAL PROJECTS FUND

The City used the General Fund to account for the resources used in the acquisition and construction of capital facilities. These expenditures should be budgeted and reported under the Capital Projects Fund, capital projects function. The City's capital projects expenditures that were recorded in the general fund for the year ended June 30, 2020 were \$400,698.

NOTE 13 - DEVELOPMENT AGREEMENTS

The City entered into an agreement with Washington Economic Development Group for a pledge drive. Payments began in 2017 and are to be made annually through December 31. During the year ended June 30, 2020, the City paid \$4,000 to the developer. At June 30, 2020, the remaining balance to be paid on this agreement is \$ - 0 - .

NOTE 14 - CONTINGENCY

Subsequent Event

The City has evaluated all subsequent events through December 9, 2020, the date the financial statements were available to be issued.

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OTHER INFORMATION

CITY OF KALONA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 1,156,636	\$ --	\$ 1,156,636
Tax increment financing	242,694	--	242,694
Other city tax	324,443	--	324,443
Licenses and permits	16,411	1,975	18,386
Use of money and property	250,622	4,527	255,149
Intergovernmental	374,275	--	374,275
Charges for service	41,691	911,869	953,560
Miscellaneous	215,993	9,952	225,945
Total receipts	<u>2,622,765</u>	<u>928,323</u>	<u>3,551,088</u>
Disbursements:			
Public safety	195,672	--	195,672
Public works	422,890	--	422,890
Culture and recreation	515,821	--	515,821
Community and economic development	318,598	--	318,598
General government	326,984	--	326,984
Debt service	703,428	--	703,428
Capital projects	10,834	--	10,834
Business type activities	--	1,238,597	1,238,597
Total disbursements	<u>2,494,227</u>	<u>1,238,597</u>	<u>3,732,824</u>
Excess (deficiency) of receipts over (under) disbursements	128,538	(310,274)	(181,736)
Other financing sources, net	<u>147,409</u>	<u>(23,505)</u>	<u>123,904</u>
Change in fund balances	275,947	(333,779)	(57,832)
Balances beginning of year	<u>2,430,725</u>	<u>1,095,655</u>	<u>3,526,380</u>
Balances end of year	<u>\$ 2,706,672</u>	<u>\$ 761,876</u>	<u>\$ 3,468,548</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 1,146,475	\$ 1,146,475	\$ 10,161
253,312	253,312	(10,618)
265,759	265,759	58,684
13,500	17,939	447
68,150	107,569	147,580
343,223	359,763	14,512
1,024,753	1,037,167	(83,607)
145,600	3,818,291	(3,592,346)
<u>3,260,772</u>	<u>7,006,275</u>	<u>(3,455,187)</u>
176,277	202,677	7,005
439,372	453,672	30,782
563,894	595,894	80,073
257,522	333,563	14,965
219,422	377,530	50,546
633,798	4,183,216	3,479,788
--	11,727	893
893,189	1,282,391	43,794
<u>3,183,474</u>	<u>7,440,670</u>	<u>3,707,846</u>
77,298	(434,395)	252,659
--	(29,470)	153,374
77,298	(463,865)	406,033
<u>4,043,541</u>	<u>4,043,541</u>	<u>(517,161)</u>
<u>\$ 4,120,839</u>	<u>\$ 3,579,676</u>	<u>\$(111,128)</u>

CITY OF KALONA, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$4,257,196. The budget amendments are reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF KALONA, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SIX YEARS*
(IN THOUSANDS)
OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.006003%	0.005424%
City's proportionate share of the net pension liability	\$ 348	\$ 343
City's covered payroll	\$ 457	\$ 408
City's proportionate share of the net pension liability as a percentage of its covered payroll	76.15%	84.06%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.006084%	0.006013%	0.006193%	0.005670%
\$ 405	\$ 378	\$ 306	\$ 229
\$ 454	\$ 432	\$ 424	\$ 379
89.21%	87.50%	72.17%	60.42%
82.21%	81.82%	85.19%	87.61%

CITY OF KALONA, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 43	\$ 43	\$ 36	\$ 41
Contributions in relation to the statutorily required contribution	(43)	(43)	(36)	(41)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 460	\$ 457	\$ 408	\$ 454
Contributions as a percentage of covered payroll	9.34%	9.41%	8.82%	9.03%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 39	\$ 38	\$ 34	\$ 36	\$ 32	\$ 30
(39)	(38)	(34)	(36)	(32)	(30)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 432	\$ 424	\$ 379	\$ 410	\$ 392	\$ 432
9.03%	8.96%	8.97%	8.78%	8.16%	6.94%

CITY OF KALONA, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF KALONA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	Special Revenue Employee Benefits	Capital Projects	Total
Receipts:			
Property tax	\$ 42,690	\$ --	\$ 42,690
Other city tax	574	--	574
Total receipts	<u>43,264</u>	<u>--</u>	<u>43,264</u>
Disbursements:			
Operating:			
Public works	14,113	--	14,113
Culture and recreation	40,858	--	40,858
General government	21,827	--	21,827
Capital projects	--	10,834	10,834
Total disbursements	<u>76,798</u>	<u>10,834</u>	<u>87,632</u>
Excess (deficiency) of receipts over (under) disbursements	(33,534)	(10,834)	(44,368)
Other financing sources:			
Transfers in	<u>--</u>	<u>114,348</u>	<u>114,348</u>
Change in cash balances	(33,534)	103,514	69,980
Cash balances beginning of year	<u>142,841</u>	<u>1,956</u>	<u>144,797</u>
Cash balances end of year	<u>\$ 109,307</u>	<u>\$ 105,470</u>	<u>\$ 214,777</u>
Cash Basis Fund Balances			
Restricted:			
Other purposes	<u>\$ 109,307</u>	<u>\$ 105,470</u>	<u>\$ 214,777</u>
Total cash basis fund balances	<u>\$ 109,307</u>	<u>\$ 105,470</u>	<u>\$ 214,777</u>

See accompanying independent auditor's report.

CITY OF KALONA, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Loan Notes:			
Library	June 1, 2004	1.30% - 2.65%	\$ 1,400,000
Yoder Project Series 2018	April 18, 2018	4.30% - 4.60%	850,000
Refunding Series 2019A	November 12, 2019	2.00% - 3.00%	3,605,000
General Obligation Bonds:			
Community Rec Center Series 2016	November 22, 2016	2.60% - 4.05%	3,900,000
Total General Obligation Notes and Bonds			
Revenue Notes Payable:			
State revolving fund loans			
Water	August 26, 2003	1.75%	1,067,000
Sewer	December 12, 2003	1.75%	503,000
Sewer	November 26, 2008	1.75%	1,200,000
Sewer	October 3, 2014	1.75%	1,124,000
Capital loan revenue note			
Storm Sewer	April 18, 2018	4.05%	225,000
Total Revenue Debt			
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 455,000	\$ --	\$ 85,000	\$ 370,000	\$ 11,187
654,794	--	158,995	495,799	28,666
--	3,605,000	225,000	3,380,000	50,339
<u>3,545,000</u>	<u>--</u>	<u>3,545,000</u>	<u>--</u>	<u>55,502</u>
<u>4,654,794</u>	<u>3,605,000</u>	<u>4,013,995</u>	<u>4,245,799</u>	<u>145,694</u>
329,000	--	62,000	267,000	5,758
155,000	--	29,000	126,000	2,712
920,000	--	33,000	887,000	16,100
884,000	--	51,000	833,000	15,470
<u>210,000</u>	<u>--</u>	<u>15,000</u>	<u>195,000</u>	<u>8,505</u>
<u>2,498,000</u>	<u>--</u>	<u>190,000</u>	<u>2,308,000</u>	<u>48,545</u>
<u>\$7,152,794</u>	<u>\$3,605,000</u>	<u>\$4,203,995</u>	<u>\$ 6,553,799</u>	<u>\$ 194,239</u>

CITY OF KALONA, IOWA
NOTE AND BOND MATURITIES
June 30, 2020

Year ending June 30,	General Obligation Notes			
	GO Capital Loan Notes - Library Note		GO Capital Loan Notes - Yoder Project	
	Issued June 1, 2004		Issued April 18, 2018	
	Interest Rates	Amount	Interest Rates	Amount
2021	2.35%	\$ 85,000	4.30%	\$ 120,000
2022	2.45%	90,000	4.30%	125,000
2023	2.55%	95,000	4.30%	81,005
2024	2.65%	100,000	4.60%	130,000
2025		--	4.60%	39,794
2026		--		--
2027		--		--
2028		--		--
2029		--		--
2030		--		--
2031		--		--
2032		--		--
2033		--		--
2034		--		--
2035		--		--
2036		--		--
		<u>\$ 370,000</u>		<u>\$ 495,799</u>

(continued next page)

General Obligation Notes		
GO Refunding Capital Loan Notes - Series 2019A		
Issued November 12, 2019		
Interest Rates	Amount	Total
3.00%	\$ 195,000	\$ 400,000
3.00%	195,000	410,000
3.00%	195,000	371,005
3.00%	200,000	430,000
3.00%	205,000	244,794
3.00%	205,000	205,000
2.00%	210,000	210,000
2.00%	215,000	215,000
2.10%	215,000	215,000
2.15%	215,000	215,000
2.20%	220,000	220,000
2.25%	215,000	215,000
2.30%	220,000	220,000
2.30%	225,000	225,000
2.40%	220,000	220,000
2.45%	230,000	230,000
	<u>\$3,380,000</u>	<u>\$ 4,245,799</u>

CITY OF KALONA, IOWA
NOTE AND BOND MATURITIES - Continued
June 30, 2020

Year ending June 30,	Revenue Notes			
	SRF Loan - Water		SRF Loan - Sewer	
	Issued		Issued	
	August 26, 2003		December 12, 2003	
	Interest Rates	Amount	Interest Rates	Amount
2021	1.75%	\$ 64,000	1.75%	\$ 30,000
2022	1.75%	66,000	1.75%	31,000
2023	1.75%	67,000	1.75%	32,000
2024	1.75%	70,000	1.75%	33,000
2025		--		--
2026		--		--
2027		--		--
2028		--		--
2029		--		--
2030		--		--
2031		--		--
2032		--		--
2033		--		--
2034		--		--
2035		--		--
2036		--		--
2037		--		--
2038		--		--
2039		--		--
		<u>\$ 267,000</u>		<u>\$ 126,000</u>

See accompanying independent auditor's report.

Revenue Notes						
SRF Loan - Sewer		SRF - Loan Sewer		Capital Loan Note - Storm Sewer		
Issued		Issued		Issued		
November 26, 2008		October 3, 2014		April 18, 2018		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	\$ 34,000	1.75%	\$ 52,000	4.05%	\$ 15,000	\$ 195,000
3.00%	36,000	1.75%	53,000	4.05%	15,000	201,000
3.00%	37,000	1.75%	54,000	4.05%	15,000	205,000
3.00%	38,000	1.75%	55,000	4.05%	15,000	211,000
3.00%	39,000	1.75%	56,000	4.05%	15,000	110,000
3.00%	40,000	1.75%	58,000	4.05%	15,000	113,000
3.00%	42,000	1.75%	59,000	4.05%	15,000	116,000
3.00%	43,000	1.75%	60,000	4.05%	15,000	118,000
3.00%	45,000	1.75%	61,000	4.05%	15,000	121,000
3.00%	46,000	1.75%	62,000	4.05%	15,000	123,000
3.00%	47,000	1.75%	64,000	4.05%	15,000	126,000
3.00%	49,000	1.75%	65,000	4.05%	15,000	129,000
3.00%	51,000	1.75%	66,000	4.05%	15,000	132,000
3.00%	52,000	1.75%	68,000		--	120,000
3.00%	54,000		--		--	54,000
3.00%	56,000		--		--	56,000
3.00%	58,000		--		--	58,000
3.00%	59,000		--		--	59,000
3.00%	61,000		--		--	61,000
	<u>\$ 887,000</u>		<u>\$ 833,000</u>		<u>\$ 195,000</u>	<u>\$2,308,000</u>

CITY OF KALONA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Receipts:				
Property tax	\$ 1,156,636	\$ 1,161,753	\$ 1,236,152	\$ 964,210
Tax increment financing	242,694	246,238	258,584	97,709
Other city tax	324,443	275,035	262,894	287,609
Licenses and permits	16,411	22,709	16,831	16,303
Use of money and property	250,622	72,089	49,413	36,583
Intergovernmental	374,275	956,617	777,773	353,562
Charges for service	41,691	103,511	77,756	110,204
Miscellaneous	<u>215,993</u>	<u>184,156</u>	<u>192,206</u>	<u>230,048</u>
Total	<u>\$ 2,622,765</u>	<u>\$ 3,022,108</u>	<u>\$ 2,871,609</u>	<u>\$ 2,096,228</u>
Disbursements:				
Operating:				
Public safety	\$ 195,672	\$ 191,906	\$ 192,368	\$ 190,629
Public works	422,890	406,717	393,635	385,329
Culture and recreation	515,821	486,884	470,646	881,737
Community and economic development	318,598	260,035	281,347	228,519
General government	326,984	1,674,910	4,955,216	277,624
Debt service	703,428	663,905	467,781	85,810
Capital projects	<u>10,834</u>	<u>2,031</u>	<u>30,536</u>	<u>38,084</u>
Total	<u>\$ 2,494,227</u>	<u>\$ 3,686,388</u>	<u>\$ 6,791,529</u>	<u>\$ 2,087,732</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 857,879	\$ 865,345	\$ 689,759	\$ 775,523	\$ 736,263	\$ 711,674
304,997	223,266	470,550	228,218	323,223	267,667
282,254	260,652	257,309	245,835	240,511	225,123
12,652	17,331	14,280	14,626	10,934	10,493
26,390	30,647	125,745	27,828	36,308	42,711
544,404	389,233	261,134	226,295	706,758	258,583
106,950	125,164	142,318	119,707	112,702	125,762
<u>168,209</u>	<u>173,160</u>	<u>704,522</u>	<u>431,458</u>	<u>404,703</u>	<u>673,283</u>
<u>\$ 2,303,735</u>	<u>\$ 2,084,798</u>	<u>\$ 2,665,617</u>	<u>\$ 2,069,490</u>	<u>\$ 2,571,402</u>	<u>\$ 2,315,296</u>
\$ 185,464	\$ 172,091	\$ 421,310	\$ 164,143	\$ 165,258	\$ 154,178
392,235	388,862	311,845	315,146	457,959	189,054
469,280	637,566	513,047	572,556	471,200	482,032
384,179	546,587	415,230	444,609	234,995	130,358
227,687	237,726	170,173	160,748	893,300	2,834,706
249,305	414,243	424,115	433,923	447,876	285,455
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 1,908,150</u>	<u>\$ 2,397,075</u>	<u>\$ 2,255,720</u>	<u>\$ 2,091,125</u>	<u>\$ 2,670,588</u>	<u>\$ 4,075,783</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Kalona, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2020. Our report expressed qualified and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kalona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kalona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kalona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kalona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to the Findings

The City of Kalona's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Kalona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Omewood, Bell, Kohn & Co. P.C.

Atlantic, Iowa
December 9, 2020

CITY OF KALONA, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the City to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the City to employ additional personnel for this reason. The Council will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

CITY OF KALONA, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting

20-II-A Certified Budget: Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.

20-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-II-C Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

20-II-D Business Transactions: In accordance with Chapter 362.5(3) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

20-II-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-II-F Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

20-II-G Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

20-II-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

20-II-I Revenue Notes: No instances of non-compliance with the revenue note resolutions were noted.

20-II-J Capital Projects Fund: The City has not properly used the Capital Projects Fund to account for the construction or acquisition of capital facilities they incurred throughout the year.

Recommendation: The City should utilize the Capital Projects Fund for the various projects they incur throughout the year. These expenditures should be budgeted and reported as capital projects disbursements.

Response: We will consider using Capital Projects fund in the future.

Conclusion: Response accepted.

CITY OF KALONA, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting - Continued

20-II-K Tax Increment Financing: Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1 and no exceptions were noted.

20-II-L Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

20-II-M Payment of Revenue Notes: Principal and interest on one of the City's revenue notes was paid out of the Debt Service Fund instead of the proper Enterprise Fund.

Recommendation: Revenue notes should be paid out of the proper Enterprise Fund.

Response: We will pay all revenue notes out of the proper Enterprise Fund in the future.

Conclusion: Response accepted.

* * *